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UNCLAS WARSAW 001395

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SENSITIVE

STATE FOR EUR/NCE TARA ERATH AND MICHAEL SESSUMS
TREASURY FOR OASIA MATTHEW GAERTNER
FRANKFURT FOR TREASURY JIM WALLAR

E.O. 12958: N/A

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SUBJECT: Polish Finance Minister Requests Formal Agreement
for Paris Club Debt Repayment

Ref: (A) Warsaw 742 (B) State 16349

11. (SBU) On March 10, the Embassy received a letter from Finance Minister Gronicki (dated March 1) expressing appreciation for U.S. acceptance in principle of Poland's offer to repay its outstanding Paris Club debt early. Per the Paris Club Secretariat's instructions to Poland to seek formal agreement bilaterally with individual creditors, Gronicki requested written confirmation of U.S. willingness to participate in the early repayment. The letter also expresses an interest in concluding a bilateral agreement by March 31. On March 9, Ministry of Finance staff told Econoff they would send a draft agreement they have prepared for the USG's review. As of COB March 10, we have not received this agreement, but will forward it for Washington's review as soon as we receive it.

12. (SBU) Begin text of letter from Finance Minister Gronicki to Treasury Secretary Snow:

Warsaw, March 1, 2005

Dear Mr. Snow,

In a letter dated February 18, 2005 the Chairman of the Paris Club Mr. Jean-Pierre Jouyet informed me that the Paris Club creditors accepted the Polish proposal to repay ahead of schedule all remaining obligations resulting from the 1991 Agreed Minutes. Through this letter I also was reminded that each creditor country is free to decide whether to participate in this operation, and I was advised that the practical, terms regarding the proposed prepayment should be set on a bilateral basis.

It is in this context that I am writing to you to officially propose the early repayment of Poland's obligations to the United States resulting from the bilateral agreements of July 17, 1991 that implemented the 1991 Paris Club Agreed Minutes. Poland is interested in the prepayment of all obligations covered by these agreement and we would aim at concluding this transaction, if only feasible, on March 31, 12005. I was very pleased to learn that Vice President Dick Cheney had already informed us during his recent visit to Poland that the United States authorities are willing to accept our prepayment offer on the terms proposed by the Paris Club Secretariat and endorsed by all creditor countries.

I would appreciate if you could confirm this consent by responding to this letter. I would also be grateful if you could suggest the most expeditious way for agreeing on the detailed terms of the proposed transaction and concluding a formal agreement on the final settlement of Poland's official obligations to the United States. If requested, we would be happy to provide you with a preliminary draft of such an agreement. I believe that the acceptance of our proposal would provide yet another proof of the excellent political and economic relations between our countries and would contribute to a further strengthening of these mutual ties. Based on some preliminary indications we expect that the majority of our Paris Club creditors will accept our offer and I certainly hope that your country will also join this group.

Poland attaches great importance to the successful completion of the proposed prepayment of our obligations to the Paris Club creditors. For our country, the significance of this transaction goes far beyond the simple debt management objectives. Poland is currently the only EU and OECD member country that has outstanding debts covered by a Paris Club agreement. We believe that by eliminating these debts we will not only remove this rather unwelcome distinction and legacy of the previous regime, but also contribute to improving our current standing in the markets. In this process, we should also be able to demonstrate that we currently enjoy a very broad access to financing from private capital markets. All of this could be expected to influence, at least indirectly, the assessment of our

creditworthiness thus contributing to a possible lowering of our borrowing costs.

We certainly believe that the decision of your country, and of other Paris Club creditors, to accept our offer could and should be motivated not only by such broader political considerations and the prospect of an earlier reimbursement of substantial financial resources, but also by the overall

fairness of the proposed financial terms. It is our understanding that when suggesting these terms the Secretariat of the Paris Club was guided by the objective of

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ensuring the equal treatment of all creditor countries, while also taking into account the creditors' initial commitment to offer Poland the agreed level of debt relief. From that point of view, the acceptance of the Polish prepayment offer can thus be seen as a final step in the implementation of the important political commitment and financial support offered to our country at the onset of our transition to market economy. I believe I do not need to assure you that we are very grateful for this support that played a vital role in ensuring the successful transformation of our economy.

Given their interest in this matter I am sending copies of this letter to the US Eximbank, the Commodity Credit Corporation, the Agency for International Development and to the US Ambassador to Poland.

Please accept, Mr. Minister, the assurances of my highest consideration.

End text of Gronicki letter.

Munter

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